24. Of course, the Commission will attempt to prevent discrimination it can detect, and Congress has provided certain safeguards, including the structural safeguards in Section 272 of the Act, to reduce the dangers of discrimination, although the strength of those safeguards remains uncertain as the FCC has yet to implement the Act in this area. But regulation is necessarily imperfect, no matter how energetic and foresightful the regulators, so the prospect of discrimination cannot be discounted. To me, the ongoing danger of discrimination has three implications: (1) the Commission should factor in this danger in evaluating the net benefit or harm to consumers in long-distance markets of Ameritech's entry into those markets; (2) if and when Ameritech is granted 271 authority to provide in-region long-distance service, the Commission will have to be vigilant to prevent discrimination and to act swiftly in response to complaints about discrimination, and respond forcefully when it detects discrimination; and (3) since the danger of discrimination diminishes as NECs gain greater presence in local markets, protecting competition in long-distance markets provides yet another reason to insist that local competition truly be enabled before certifying checklist compliance or approving any 271 application of Ameritech.

25. There appears to be an industry consensus that many consumers will value the ability to purchase a wide range of services -- such as local, long distance, and wireless -- from a single vendor. There seems little doubt that many industry participants are planning to market bundles of services. I anticipate that the marketing of bundles of telecommunications services to heavy telecommunications users will be especially intense. As we look ahead to wide-ranging competition and converging markets, firms that are unable to offer key pieces of attractive bundles will be at a competitive disadvantage. Therefore, parity in the ability to bundle services will be important to full competition in the future.

26. Other things equal, the public interest militates against giving one firm or a group of firms a significant head start in offering bundled services, especially if those firms can rapidly gain market share by marketing the bundled services. As Southern New England Telecommunications

Corporation has already demonstrated with its 1994 entry into interLATA markets, interLATA entry by ILECs can be achieved swiftly. At SNET's annual meeting in May 1996, SNET's Chairman and CEO Daniel Miglio cited the phenomenal growth in SNET's interstate long distance market share, stating "In two short years, we have built a new $80 million revenue stream with a lot of opportunity to grow." During this period, SNET enjoyed ten consecutive quarters of earnings growth and a steadily rising stock price. Merrill Lynch has reported that SNET's long distance subsidiary, SNET America, captured 25% of SNET's local customers within two years of entry, despite aggressive competition from AT&T. Along similar lines, the Wall Street Journal recently reported that "Since the spring, [GTE] has turned more than half a million of its local customers into long-distance clients, siphoning business from AT&T and MCI, and it is signing up new customers at the rate of more than 6,000 per day", says Chairman Charles R. Lee. (November 5, 1996). In contrast, significant competition in local exchange markets remains unproven, in Michigan and elsewhere.

27. Likewise, competition will be distorted if one group of carriers is given preferential treatment in terms of subsidies. Such subsidies can allow one carrier to capture market share from others even if the subsidized carrier is less efficient. This partially undermines one of the attractive features of competition, namely that market success is driven by lower costs and/or superior product quality.

Impact of Telecommunications Market Uncertainties Upon Analysis

28. In balancing the four economic objectives I described earlier, it is important to remember that uncertainty favors deferring 271 authority until we can be confident that local competition has truly been enabled.

29. Once approval has been granted, it will be nearly impossible to rescind as a practical matter. On the other hand, if approval is denied, Ameritech can put in another application as soon as conditions have changed to warrant approval. When Ameritech submits a 271 application, the

Commission and the FCC should ask whether the public interest is better served by delaying approval until additional conditions are met.

30. Regarding checklist compliance in particular, this observation implies that policy makers should not certify compliance until they are confident that Ameritech has truly enabled local exchange competition.

Evidence That Competition Has Not Been Enabled

31. By far the best proof of the feasibility of local exchange competition is the actual presence of facilities-based local competitors, i.e., actual competition over independent facilities. The more widespread is local competition, the more it takes place over facilities outside the control of the ILEC, and the greater number of actual NECs, the more confident we could be that conditions are truly conducive to entry and expansion by NECs.

32. Facilities-based competition is especially important because it demonstrates that NECs are prepared to make substantial sunk investments to serve the market. Facilities-based competition also is superior to resale competition because it represents far greater competitor independence of the ILEC. Ultimately, for regulation to wither away and be replaced by competition will require the presence of strong, facilities-based competitors to Ameritech. Investments in alternative local loop facilities would be especially significant, as these facilities represent a lasting commitment to the local market. Congress expected these investments would be made, and repeatedly gave the example of cable facilities.

33. Facilities-based competitors also represent alternative sources of access services. Resellers do not serve this function. Widespread competition in the provision of access will help insure that interexchange markets remain competitive after BOC entry.

34. Competition based on the leasing of network elements is not nearly as significant as true facilities-based competition. A NEC who is leasing elements from the incumbent local exchange carrier clearly remains heavily reliant on the incumbent carrier. Also, sunk investments and

commitment to the market associated with leasing network elements are far lower than those required of a NEC building its own loop plant.

35. Still, leased elements are better than resale in terms of offering competition to the ILEC. First, NECs who are leasing network elements can offer competition along a number of dimensions that resellers cannot. Second, resale rates are not based on the underlying costs of the facilities, so resale competition does relatively little to drive retail rates down towards cost.

36. I would hope that all parties can agree that resale, while offering valuable competition over some aspects of service (such as marketing, billing, or customer service), is inherently limited and less meaningful than facilities-based competition. The RBOCs themselves pointed this out in their motion to vacate the consent decree, where they stated that resellers "do little to further interexchange competition." (Memorandum of Bell Atlantic, BellSouth, Nynex, and Southwestern Bell in Support of Their Motion to Vacate the Decree, July 6, 1994, p.70)

37. It seems clear from the information submitted by Ameritech that actual local competition is currently *de minimis*. Neither AT&T nor Sprint yet provides facilities-based or even resold local exchange service in exchanges served by Ameritech.

38. None of the competitive exchange carriers yet provides a <u>significant</u> competitive alternative to Ameritech for exchange services in Michigan.

39. We must see some actual competitors operating with their own facilities, we must be confident additional entry is imminent, and we must be confident that the ILEC cannot prevent these entrants from competing effectively before it can be concluded that Ameritech has implemented the checklist in Michigan.

40. In markets subject to rapid technological or regulatory changes, an assessment of competitive conditions cannot be static or backward looking. Even if a market is not yet workably competitive, it may soon become competitive, if conditions are changing in significant, predictable

ways that will make entry possible. In such cases, it should be examined whether additional competition is imminent, even if it has not yet arrived.

Economic Indicators To Be Considered

41. One important indicator of imminent competition in local exchange markets is the expenditure of significant non-recoverable (sunk) investments by NECs. Such investments constitute a vote of confidence that competition is feasible, by those with a direct financial stake in making competition real. For precisely this reason, mere announcements of plans to offer services are far less reliable than actual sunk expenditures.

42. Of course, these investments remain at risk, until it has been proven that the entrants can indeed rely on the ILEC to provide critical inputs. By deferring 271 authorization until Ameritech has demonstrated its cooperation, local competition is enhanced, entrants' investments are partially protected from exclusionary tactics by Ameritech, and further investments by NECs are encouraged.

43. One role the Commission will play is to make sure that these investments are not stranded or devalued by problems implementing interconnection with Ameritech.

44. In evaluating the significance of sunk investments for assessing market participants' beliefs about the feasibility of local exchange competition, it is important to account for the entire range of services provided by those investments. For example, due to the presence of economies of scope in the provision of access and exchange services, some investments in local facilities may be recoverable through provision of access services, and not reliant on the full range of interconnection necessary to a NEC. Thus, the presence of sunk investments alone will not suffice.

Economic Evaluation of Entry Barriers

45. In addition to examining the state of actual competition, and the tangible commitments made to the market by entrants, economists can directly evaluate the conditions of entry to gauge the height of entry barriers and determine whether potential competition is truly feasible. By identifying entry barriers and assessing their significance, an economist can try to determine whether

a number of potential NECs can reliably and easily offer local exchange service to residential and business customers across the State, and whether competition has effectively been enabled.

46. Economists also look for market conditions that might impede the ability of market participants to compete effectively. After all, even if a firm has invested in the local exchange market and entered that market, its ability to compete and attract customers may still be limited by the ILEC's conduct, e.g., by providing inferior repair and maintenance services.

47. Not until the offered terms of interconnection have been proven to work in practice. and we are sure that other entrants can replicate these proven arrangements can entry be considered to be enabled.

48. Due to the complexity and importance of interconnecting in various ways with the ILEC, a NEC cannot be confident that entry truly has been enabled until interconnection has been shown to work on a commercial scale. In demonstrating that interconnection in its myriad details really works, an interconnection agreement with a NEC covering a large geographic area is more convincing and more meaningful than an agreement with a highly localized NEC. Likewise, to give a specific example of one dimension of "interconnection," an interconnection agreement specifying terms for customer billing is more meaningful, in terms of assessing the height of entry barriers, the greater the volume and variety of customer billing taking place under the agreement.

49. Whatever the scale, a working agreement that has been put into practice, i.e.. pursuant to which a NEC is actually providing service, is far more meaningful than a paper agreement that has yet to be tested commercially.

Standards for Evaluating Checklist Compliance

50. In economic terms, a key issue in assessing whether a BOC truly is complying with the competitive checklist is whether the interconnection terms and conditions offered by the BOC are sufficient to lower entry barriers and enable genuine local exchange competition. The competitive checklist has been complied with in a manner that is economically meaningful for consumers if and

only if facilities-based competition is a reality and the conditions of interconnection are reliably in place to enable extensive entry to occur to reduce the monopoly power of the BOC.

51. In order for entry to be feasible, and for NECs to be willing to make the additional necessary investments to provide genuine competition, potential entrants need to be confident that workable systems are in place on a commercially viable scale. Thus, checklist compliance has to mean more than having something on paper.

52. If checklist compliance is to be economically meaningful in terms of enabling local competition, the details must be worked out in practice and agreements must be fully implemented. There are a great many details that really matter for the commercial viability of NECs. For many of the terms of interconnection, the interests of Ameritech and NECs are directly opposed. All of this implies that it is highly desirable to provide Ameritech with ongoing incentives to cooperate, in the form of withholding the long-distance entry "prize," until such cooperation has been definitely elicited and shown to truly enable entry.

53. Absent reliable, working interconnection arrangements, NECs will be wary of making the substantial sunk investments necessary to participate fully in local markets, and the investments NECs do make will remain at risk. This is certainly true for facilities investments, which are largely non-recoverable in the event that interconnection problems arise, and thus will depreciate in value if the terms or conditions of interconnection fail to achieve operational parity between NECs and the ILEC. Marketing expenses can also be very significant, and will largely go to waste if the NEC is unable to provide high-quality service in a timely fashion once demand is stimulated by the promotional campaign. Worse yet, Sprint's brand name will be at risk if Sprint markets a local service of poor quality due to interconnection difficulties of various types. Were Sprint to introduce local service with quality problems due to interconnection, Sprint could lose valuable goodwill not only in those local markets, but nationwide.

54. In addition, Sprint, like other NECs, will have to make substantial investments in back-office systems to support its entry into local markets. These investments will also remain at risk until the details of interconnection have been worked out satisfactorily.

Major Local Exchange Entry Barriers

55. Historically, there have been three major entry barriers into local exchange: (1) legal entry barriers either precluding or raising the costs of entry; (2) the need to make significant sunk investments in plant and equipment, promotional activities, and back-office systems to provide local exchange service; and (3) the need to interconnect with the ILEC to offer attractive exchange service. (In providing service to some customers, an additional "regulatory entry barrier" is present if regulation sets prices for basic exchange service below cost for those customers, making them unattractive to entrants.)

56. The Act seeks to reduce or eliminate these entry barriers: (1) by minimizing legal barriers, including not only the State certification requirement but also facilitating access to right-of-way and pole and conduit access to enable independent construction of facilities by NECs; (2) by allowing NECs to lease unbundled elements, or to engage in resale, rather than constructing wholly their own facilities; and (3) by imposing interconnection duties upon ILECs, e.g., for transport and termination, and requiring that reasonable rates be charged.

57. Eliminating these substantial traditional historical entry barriers is no easy task. Thus, somewhat paradoxically, and as evidenced by the sheer mass of the FCC's rules in its interconnection proceeding, we need additional regulation for at least an interim period to enable competition, in the hopes that this very competition will some day replace much of the regulation.

58. Unless these barriers are reliably lowered, entry will remain risky, entrants' ability to compete effectively will remain uncertain, and local competition will not be assured.

59. Until NECs can be confident that they will obtain interconnection on commercially acceptable terms that will allow them to achieve operational parity with Ameritech, entrants will be

forced to place substantial sunk investments at risk, which can only serve to delay or deter entry and the advent of competition. This is especially true for a company like Sprint, with a valuable brand name that could be put at risk if service quality is degraded due to interconnection problems. I would expect Sprint, AT&T, and MCI to be extremely wary of offering service under their brand names unless and until they can ensure service quality -- from the pre-ordering of services to the provisioning of repair -- on par with Ameritech. To do otherwise would put their brand names at risk in Michigan, and potentially place them at a major disadvantage for years to come in selling bundles of services in competition with Ameritech.

60. A related risk to a would-be entrant into local exchange of introducing service before operational parity has been achieved and tested is the risk that the marketing expenses associated with a rollout of service will be wasted. These are clearly non-recoverable investments. Worse yet, as just noted, a failed marketing campaign to offer local service will actually make it more difficult to offer those services in the future.

61. The details of actual effective interconnection cannot be left for later because they are so crucial to NECs' ability to compete effectively. Many aspects of interconnection that remain unresolved have significant implications for either NECs' costs or the quality of their service.

Interconnection Available to all NECs

62. The more local competition the better. Different NECs, such as cable companies, interexchange carriers, and competitive access providers, each bring their own strengths and unique skills to the market. The Act shows that Congress intended to enable a variety of entry strategies.

63. I do not mean to say that all of these NECs must achieve some fixed level of market penetration in order for the Commission to certify checklist compliance. Rather, the Commission should first satisfy itself that the bugs have been worked out of the interconnection process, in a manner that satisfies the needs of a number of types of actual and potential entrants. If NECs are providing service on commercial scales in a variety of settings in Michigan, we can be confident that

interconnection is working (although the need for ongoing regulation will not soon end). On the other hand, if NECs collectively serve very few access lines, it would be prudent for the Commission to understand why this is so, before concluding that Ameritech has complied with the checklist. Also, I would encourage the Commission to investigate the root cause of why a particular type of NEC was consistently excluded from entry, to see if the cause was indeed benign.

64. Certifying checklist compliance in an economically meaningful way cannot be mechanical, and will require an assessment of the remaining entry barriers into local exchange, if NECs are not yet significant actual competitors at the time of the review. If the Commission concludes that minimal NEC penetration has resulted from significant remaining uncertainties regarding the provision of checklist items, or because the terms under which Ameritech is offering certain checklist items fail to provide nondiscriminatory access by NECs, certifying checklist compliance would be inadvisable and inappropriate.

65. The presence of a single, implemented interconnection agreement cannot in and of itself imply that all entry barriers have been eliminated or that all checklist items have been met. For starters, the agreement may not be suitable for other NECs adopting different strategies. Furthermore, a single agreement may demonstrate that competition can occur for certain customers, or in certain geographic areas, but not others.

66. If significant aspects of interconnection remain unresolved, NECs' ability to compete remains significantly under the control of the BOC. If further cooperation from the BOC is needed to make actual or potential local exchange competition economically meaningful, approval of the BOC's 271 application is premature and will diminish consumer welfare.

67. Regulation is inevitably highly imperfect, and entrants will be reluctant to rely on future, uncertain regulatory protections when making substantial sunk investments.

68. There is much to be said for "stress testing" interconnection terms and conditions in practice before concluding that an interconnection agreement can work in practice and is "fully implemented."

Unproven Interconnection Inhibits Investment

69. The processing of orders for new service requires cooperation from Ameritech in a variety of ways, including real-time access to Ameritech's information, that are yet unproven. Sprint is not willing to make investments, even marketing investments to offer resold services, until it is confident that customers who actually place orders for Sprint local service will not experience delays or frustrations in having their orders handled.

70. Likewise, it has not yet been proven how local customers of NECs like Sprint will have their repair and trouble calls handled in a non-discriminatory fashion. This will require a number of repair and maintenance interfaces to operate smoothly. Again, were Sprint to offer local service, and were Sprint's customers to experience delays in repair relative to Ameritech, Sprint's brand name would be at risk.

71. More generally, Sprint is concerned over how electronic interfaces between itself and Ameritech will operate to provide Sprint with reasonable, timely, and economical access to Ameritech's operations systems, customer records, and billing data. Billing is good example of an area of concern; Sprint has experienced some difficulties and delays in tests of billing for local service in other states. These examples are not meant to be exhaustive. However, they illustrate a variety of important "details" that must be worked out in practice before Sprint can successfully offer local exchange services.

Checklist Compliance Through Single Interconnection Agreement

72. Sprint respectfully submits that the Commission keep in the forefront of its consideration the sound policy objectives of the requirement for checklist compliance: that interconnection and access be available, on a non-discriminatory basis, to a variety of competing

firms which will, in all likelihood, access and interconnect with the ILEC's network in a variety of ways. One size does not fit all.

73. Whether Track A compliance with Section 271(c)(2)(B) may be achieved in a single agreement or multiple interconnection agreements is therefore inextricably tied to the practical realities of the interconnection arrangements actually available. One agreement that purports to meet each item of the checklist may not be sufficient if it in fact fails to provide, on reasonable and nondiscriminatory terms, certain items that had been irrelevant to one type of competitor but crucial to another. By the same reasoning, multiple agreements must not be allowed to become the anticompetitive tool of the ILEC, who could use multiple agreements to segment its competitors and mask discriminatory treatment contrary to the statutory requirements.

74. One key determinant here will be the rigor with which the Commission enforces the "most favored nation" obligation of Ameritech as set forth in Section 252(i). Section 252(i) requires LECs to make available "any interconnection, service or network element" provided under an interconnection agreement to which it is a party "to any other requesting telecommunications carrier upon the same terms and conditions as those provided in the agreement." The most favored nation provision thus establishes the central mechanism for enforcing the requirement that access and interconnection services on the checklist be truly available and provided in a nondiscriminatory manner.

75. The roles of the Track A Section 271(c)(2)(B) requirements and the MFN Section 252(i) obligation are thus complementary. Compliance with Section 271(c)(2)(B) pursuant to Track A requires that the incumbent is actually providing all of the checklist items pursuant to "one or more" interconnection agreements. Compliance with Section 252(i) requires that each term of those agreements be available to any requesting carrier on the same basis. The combination yields confidence that additional competitors are also able to enter and expand by utilizing the existing agreements.

76. As the FCC recognized in its First Report and Order implementing Sections 251 and 252 of the Communications Act, this scheme will work only if third parties can obtain access to any individual interconnection, service or network element arrangements contained in an approved interconnection agreement. Indeed, the more disaggregated the approach to MFN, the more effectively it will work to prevent discrimination and lower the barriers to local entry. This is because each new entrant will likely require a different combination of checklist services for entry. Moreover, bundled offerings by the incumbent LEC may be in reality discrimination schemes in contravention of the statute. Thus, MFN should be implemented to allow competitors to pick and choose specific aspects of existing interconnection agreements to essentially create their own agreements.

77. Moreover, as the FCC acknowledged in its Section 251-252 First Report and Order, permitting carriers access only to entire agreements or only to large pieces of the agreement creates perverse incentives for the incumbent. For example, under such an arrangement, Ameritech would have the incentive to try to make each agreement unattractive to third parties by including onerous terms and conditions for a service that the other contracting party does not need. In essence, this practice would enable the incumbent to discriminate among competitive carriers in violation of the statute by ensuring that only an actual party to an agreement receives the benefits of that agreement. Of course, the Eighth Circuit's stay pending appeal of the FCC's MFN rules has left the status of that provision uncertain just at the time when new entrants are planning their entry strategies and negotiating interconnection agreements. That process will therefore be much more successful in Michigan if the Commission independently adopts the FCC's MFN rules for the purposes of interconnection agreements within the state. Sprint respectfully urges the Commission to do so.

78. As to Ameritech's assertion that it may satisfy Section 271(c)(2)(B) by combining interconnection agreements with a statement of generally available terms to satisfy

Section 271(c)(2)(B), this is impermissible. Section 271(c)(2)(B) contains two entirely independent means of compliance.

79. The provision states as follows:

> Access or interconnection provided or generally offered by a Bell operating company to other telecommunications carriers meets the requirements of this subparagraph if such access and interconnection includes each of the following . . . (emphasis added)

As used in this subparagraph, the term "provided" matches the phrase "is providing" in Sections 271(c)(1)(A) and (c)(2)(A)(i)(I) as well as the term "provided" used in Section 271(d)(3)(A)(i). All of these provisions refer to compliance with Track A. As used in Section 271(c)(2)(B), the phrase "generally offered" matches the use of "generally offers" in Section 271(c)(1)(B), "is generally offering" in Section 271(c)(2)(A)(i)(II) and "generally offered" in Section 271(d)(3)(A)(ii). All of these provisions refer to compliance with Track B. Thus, as stated in Section 271(c)(2)(B), access and interconnection "provided" refers to Track A while the access and interconnection "generally offered" refers to Track B.

80. The use of the disjunctive "or" in Section 271(c)(2)(B) demonstrates that a carrier must either comply with the competitive checklist contained in that subparagraph exclusively through Track A or exclusively through Track B. As the Supreme Court has held, "canons of construction ordinarily suggest that terms connected by a disjunctive be given separate meaning, unless the context dictates otherwise."

81. Far from dictating some other interpretation of the term "or" in Section 271(c)(2)(B), the "context" of Section 271 only reinforces the view that Tracks A and B cannot be used in combination. Every place the two Tracks are mentioned in Section 271, they are stated in the disjunctive. For example, Section 271(c)(1) states that a BOC meets the requirements of that paragraph "if it meets the requirements of subparagraph (A) [Track A] or subparagraph (B) [Track B]" (emphasis added). Section 271(c)(2)(A) similarly states that a BOC meets the requirements of

that paragraph if, within the state for which the authorization is sought, the company complies with Section 271(c)(1)(A) or Section 271(c)(1)(B). Section 271(c)(2)(B) restates these options in the disjunctive again.

82. Finally, Section 271(d)(3)(A) requires that Ameritech has either "fully implemented" the competitive checklist pursuant to Track A or "offers all of the items included in the competitive checklist in subsection (c)(2)(B)" (emphasis added) pursuant to a Track B statement of generally available terms and conditions. Section 271(d)(3)(A) again unmistakably shows that the competitive checklist must be fulfilled either entirely pursuant to one or more Track A interconnection agreement or entirely pursuant to a Track B general statement.

Conclusions

83. Economically meaningful checklist compliance should require that interconnection be shown to work in practice, as a demonstration that entry barriers into local markets really have been lowered and that NECs will be able to achieve operational parity with Ameritech. We cannot conclude from interconnection agreements on paper that competition has been enabled until we see those agreements fully implemented. Inevitably, this will require a myriad of details to be worked out, which in turn will require considerable cooperation from Ameritech. This cooperation will likely be more forthcoming, and more complete, if Ameritech's entry into long-distance markets is made conditional on a demonstration that the details really have been resolved in practice.

84. It is clearly too soon to conclude that interconnection has been proven to work in Michigan. Ameritech has yet to begin providing interconnection to a competitor or set of competitors which represent significant facilities-based alternatives. Furthermore, since the conditions of local competition in Michigan are so uncertain and in such flux, uncertainty favors deferring interLATA entry by Ameritech until the Commission can assert with confidence that local entry through a variety of business strategies has truly been enabled through Ameritech's interconnection provisions.

Edward K. Phelan

Subscribed and sworn to before me
this 8th day of January, 1997.

Notary Public

SALLY J. WERTS
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires: Oct. 2, 2000

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion, to consider Ameritech Michigan's compliance with the competitive checklist in Section 271 of the Telecommunications Act of 1996.	))))	**Case No. U-11104**

AFFIDAVIT OF BETTY L. REEVES
ON BEHALF OF SPRINT COMMUNICATIONS COMPANY L.P.

STATE OF MISSOURI)
) SS.
COUNTY OF JACKSON)

I, Betty L. Reeves, being first duly sworn upon oath, do hereby depose and state as follows:

1. My name is Betty L. Reeves. I am employed by Sprint Communications Company L.P. ("Sprint") as Director - Local Market Development. In this capacity, I have led Sprint's effort to negotiate an interconnection agreement with Ameritech.

Education and Professional Experience

2. I have an Associates in Business degree from Tyler Junior College and majored in Accounting at the University of Texas. I began my telecommunications career in 1973 with United Telephone Company of Texas, a local division subsidiary of Sprint Corporation. After holding a variety of financial management positions, I assumed responsibility for managing United of Texas' revenue accounting functions in June of 1979 and remained in that position until the company's merger with United Midwest Group in 1988. As Revenue Accounting Manager, I had responsibility for toll processing, end user and carrier access billing functions, as well as Interexchange Carrier and intraLATA toll settlements. With the merger, I transitioned into a regulatory/account management position with Midwest Group with primary responsibility for all companies/carriers

operating within the Southwestern Bell region. In October of 1988, I joined Sprint Local Division's corporate staff as a Billing Services Manager, with responsibility for software development, billing contract negotiations, and development of standardized billing process and control functions across all local operating divisions. In May, 1992, I transferred to the Corporate Revenues department and assumed responsibility for managing the Local Division's billing and collections relationship with AT&T, including the establishment of a new work group dedicated to the project management of all electronic systems and operational processes impacting AT&T's incumbent local exchange carrier (ILEC) end user billing and collections requirements. With the passage of the 1996 Telecommunications Act, I was charged with managing AT&T's request for local market entry in Sprint Corporation's Local Division's operating territory. In May, 1996, I accepted responsibility for supporting the development and execution of Sprint's corporate strategy for local market entry in all states currently served by Ameritech.

Operational Support Systems Issues

3. In meetings with Ameritech representatives, Paul Monti and Darlene Siejkowski, in Milwaukee, Wisconsin, on Tuesday, January 7, 1997, I was able to determine that while Ameritech has provided specifications for electronic interfaces to their ordering, provisioning, and maintenance systems, they are only testing their Pre-order interface with one small carrier and no carrier is interfacing with them using their proposed interface for Trouble Reporting. While Ameritech has been pro-active in attempting to identify automated solutions for interfacing with their new local competitors, their proposals have not yet been adopted by any of the large carriers for testing and deployment. While several carriers may be actively working with Ameritech to understand their specifications and either influence the industries adoption of these as acceptable standards or design software solutions to meet these interfaces as "customized" solutions, they can not be tested for parity in performance and assumed to meet the FCC checklist requirements until they have been adequately tested and deployed.

4. Sprint took a total of seven (7) people to Milwaukee on January 7, 1997 in an effort to view Ameritech's electronic interfaces in an operational environment. This meeting was to specifically focus on Ameritech's proposed Pre-order interface, part of their "Electronic Service Ordering" specifications (which is a customized Ameritech solution not currently being supported by any other RBOC). Upon arrival in Milwaukee, we were told that we would not be able to view the Pre-order process in operation because it was still in the "beta" test phase and not currently being used or supported by the operations team. Ameritech's Pre-order process is not in fact operational at this time.

5. When Sprint met with the operations team assigned to the trouble reporting process, I was also told that they currently had no carrier transmitting data to them over their electronic trouble reporting system ("Electronic Bonding"). Once again, Ameritech has pro-actively initiated an effort to take an industry standard process (access trouble reporting) and define it for local use. The industry is evaluating this system for local service use but none of the records have been defined for local use by the industry. Ameritech's proposed record definitions may ultimately affect the industry's decisions but any system development that matches Ameritech's interface today may subsequently require significant modification to meet industry standards for interface with other carriers.

6. The only "resale" electronic interface that Ameritech has in operations today with any carrier is their Electronic Service Ordering process which is based on an EDI format and closely matches the format currently being reviewed by industry forums and many of the RBOCs for local use. It is my understanding from our meeting and review with the Wisconsin Service Center personnel that there are a few small carriers interfacing with Ameritech today using this electronic application; however they "cautioned" us that we should require and support weekly conference calls when we initiate the use of this application with their company. Ameritech's operations staff believe

that working through the difficulties of implementing this process will require resource commitments by both companies prior to its use in any local service environment.

7. It is also worthy of note that Sprint went into arbitration with Ameritech regarding our request for support of a interim manual interface until such time as "industry standard" electronic interfaces could be designed and deployed. While this had been acceptable to the operations implementation team in previous discussions, when we requested that this process be supported by the proposed interconnection contract, Ameritech refused. Ameritech's legal and regulatory response was that since they were required by the FCC to provide electronic interfaces by January 1, 1997, they should not be required to support manual interfaces, especially with a company the size of Sprint. Ameritech subsequently, at the request of the Illinois Commission, submitted a cost study which indicated it took them an average of 12 additional minutes to process a manual service order and Sprint should be required to remit approximately $300,000 to Ameritech for a proposed six month interim period processing based on an estimated 300 orders per day. Sprint went into hearing before the Illinois Arbitration Panel in December and disputed both the basis of the cost, the volumes used by Ameritech for daily averages and duration, as well as the time estimate used for order processing. In our meeting on January 7, 1997 with Ameritech's Customer Service - Resale Manager, Darlene Siejkowski, we were able to confirm that the average processing time for an "as is" service order is approximately 3 minutes with an additional two minutes required if the order is for a new end user (i.e., new service order requiring provisioning etc.). The service center also believes that the appropriate non-recurring service order charge for "as is" requests should be limited to a change in responsibility since the only action they must take is to pull up the "existing customer account and change the billing name and address and identify the customer with the appropriate CLEC account indicator(s)."

Conclusion

8. Until Ameritech's proposed operational interfaces have been implemented and are actually working in practice, it is impossible to determine whether the requirements of the Telecommunications Act of 1996 are being met.

Betty L. Reeves

Subscribed and sworn to before me
this 8th day of January, 1997.

Notary Public

SALLY J. WERTS
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires: Oct. 3, 2000

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[redacted]

Ameritech

December 23, 1996

To All Parties of Record

Re: MPSC Case No. U-11104.

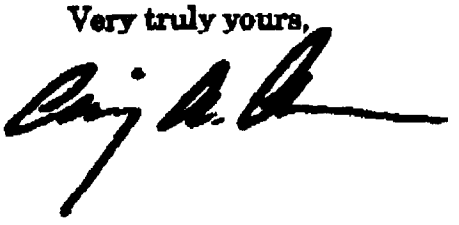
On December 16, 1996 Ameritech Michigan filed its Submission of Information with the Commission specifically relating to responses to the Commission's inquiries in Attachment B of its August 28, 1996 order. Attached, as part of the filing, was the affidavit of John Mayer.

A typographical error has been discovered in Mr. Mayer's affidavit. A portion of Page 16, Paragraph 65, reads as follows:

> **"To date, Ameritech's experience has been that approximately 25% of new unbundled loops require outside dispatch."**

The percentage figure in that statement should actually read "75%." Please note this change on your copy of the affidavit.

Very truly yours,



cc: Ms. Dorothy Wideman

CAA:jkt

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January 14, 1997

MICHIGAN PUBLIC SERVICE
FILED
JAN 15 1997
COMMISSION

Via Federal Express

Dorothy Wideman, Executive Secretary
Michigan Public Service Commission
6545 Mercantile Way
Lansing, MI 48909

RE: Docket No. U-11104
In the matter, on the Commission's own motion, to consider Ameritech Michigan's compliance with the competitive checklist in Section 271 of the Telecommunications Act of 1996.

Dear Secretary:

I am submitting this letter on behalf of MFS Intelenet of Michigan, Inc. ("MFS"), for the purpose of setting forth MFS' position with respect to the January 2, 1997 petition filed by Ameritech with the FCC, seeking authority to provide in-region long distance. Ameritech's petition is deficient from both a legal and a factual standpoint.

1. Legal Issues

Ameritech's application is premature, fails to meet the requirements of the federal Telecommunications Act of 1996 ("the Act"), and is based on several factual misconceptions.

Ameritech has failed to meet the competitive checklist of § 271(c)(2)(B). Ameritech relies on the AT&T Agreement as meeting the pricing element of the checklist. However, the AT&T Agreement has not yet been approved by the Commission. Thus the Agreement is not yet in effect. Moreover, the prices which were approved by the Commission in the AT&T arbitration were not based on cost studies. Thus the Commission's approval did not represent a determination that these prices were based on cost, as is required by § 252(d)(1) of the Federal statute. Until permanent rates are established on the basis of approved cost studies, the Commission has no assurance that interconnection and network elements will be available on a permanent basis in Michigan at prices that are consistent with the Act and with the competitive checklist.

Moreover, the AT&T Agreement has not yet been implemented. Thus it cannot be used to establish compliance with § 271(c)(1)(A). Nor can it properly be used as a Statement of Generally Available Terms under § 271(c)(1)(B). Since Ameritech has received requests for